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# The PACE STUDENT

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## *The Constructive Viewpoint of the Accounting Profession*

By J. Pryse Goodwin, C. P. A., C. A.

*An address delivered at a meeting of the Pace Alumni Association at the Machinery Club, New York, September 19, 1925*

I AM sure we are all aware of the critical nature of the work of the accounting profession. There is no doubt that our daily business and occupation in auditing accounts, making investigations, making surveys, and installing systems is critical in character. It is equally true that our personal temperament is influenced by our work and that the critical side of our nature is apt to be developed at the expense of the constructive. In other words we tend to become super-critics. For that reason I have chosen as my subject a different viewpoint of the accounting profession, and desire to direct your attention to the constructive service we render and can render.

In choosing this subject, I have in mind that the members of the Pace Alumni Association have shown, not only that they possess the necessary technical skill by graduating from an accounting institute which sets perhaps the highest standard of any in the country, but that, by their membership in the Alumni Association, they have demonstrated that they are the happy possessors of the virtues known as gratitude and loyalty. On looking over your faces, I note that you are also favored by youth. It is my understanding that not all of you are engaged in the accounting profession, but that perhaps the majority are employed in what might be termed executive accounting.

Some of the ideas I wish to impart may be novel; and, on account of both your versatility and your virility, I could ask no better audience. You will perceive that I have come, not to amuse you, but to use you; to take advantage of that same versatility and virility to inoculate through you into the professional and the executive accountants with whom you come in contact such of these ideas as may meet with your acceptance and your endorsement with a view to their becoming, in perhaps a few years, what might be termed Standard Practice.

In presenting the subject, the opportunities for rendering constructive services may be grouped

under the following captions:

### Constructive Service:

- A. To the Public
- B. To Labor
- C. To Accountants' Staffs
- D. To Reduction of Crime
- E. To Development of the Profession

### Referring to these in order:

A. *Constructive Service to the Public.* Perhaps the greatest service we have rendered and can render to the public is in assisting to bring about a reduction in the cost of living.

Accountants have rendered and are rendering constructive service tending to reduce the cost of living in many ways, of which I will enumerate only the following:

1. Audits and certifications of balance sheets enable management to obtain working capital, increase production and commerce, and reduce cost. The importance of this, perhaps the main function of the professional accountant, is demonstrated by the fact that the taxable value of property in the United States has reached the stupendous figure of three hundred billions and has increased two hundred billions since the beginning of the century. I have no doubt that a large part of that two hundred billions has stuck right here in New York City.

2. Improved forms of balance sheets, showing assets and liabilities properly classified as between current and fixed, enable the investing public to ascertain the working capital, the ratio of inventories to total current assets, and other information essential to the determination of desirability of investment. The importance of this branch of our work is shown by the fact that securities listed on the New York Stock Exchange have a par value of over forty billion dollars; that applications for listings of new securities average one every other day, and that over 270 million shares were sold in the first eight months of this year, involving an

annual turnover in preferred and common stocks that might be estimated at twenty billions of dollars.

3. Investigations of accounts have exposed poor management or unprofitable lines of industry and so curtailed losses by timely notice, or have directed to profitable lines efforts otherwise spent on unprofitable lines, the losses from which would eventually have been borne by the public.

4. Improved internal reports, reflecting results by functions and by departments, have aided management to operate on smaller inventories, to increase production, and to increase sales and rates of turnover and thereby reduce cost, from all of which the public has profited.

The above are services with which we are more or less familiar, and for that reason I touch on them briefly. I pass on to certain constructive services which accountants render and can render, but with which perhaps we are not so familiar.

5. *Arbitration.* Another constructive service that accountants are now rendering is along the lines of arbitration. Court calendars in New York State are so crowded that it is almost impossible to obtain a hearing on a civil suit within a period of three years, and at that late date you can imagine the difficulty in obtaining the witnesses. To meet these conditions, some of the leading merchants, lawyers, and accountants have organized the Arbitration Society of America, and it is possible through this society to obtain speedy hearings on matters of dispute; and, where such disputes relate to matters of accounting and finance, to obtain decisions rendered by people who are qualified through their training and experience to understand and form opinions on such matters. The Society's recent report shows over five hundred cases settled with hearings that average less than two apiece, and at a cost in time and money that is infinitesimal compared to the cost and delays inherent in court procedure.

While arbitration in Europe is more general, in our country it might be said to be in its infancy; nevertheless, it is a live baby. Not only are there effective arbitration laws in the states of New York and New Jersey, but the Federal Government has recently passed an arbitration law affecting interstate and maritime disputes. Also, bills, which are being backed by chambers of commerce and by trade and professional organizations, are before the legislatures of Oregon, Massachusetts, and other states. Accountants only now are beginning to learn the opportunities that this function lays open to them in being of constructive service to their clients and to the public at large. It is a service for which accountants are especially fitted, particularly those of a judicial temperament; and, in order to bring the message to them, there has recently been organized an accountants' committee of the Arbitration Society, of which the speaker happens to be chairman. This committee comprises among its membership the President of the American Institute of Accountants, the President of the New York Chapter of the National Association of Cost

Accountants, a New York director of the American Society of C. P. A's, the Secretary of the New York State Society of C. P. A's, the President of the New Jersey State Society of C. P. A's, and the Dean of New York University, School of Accounts, Commerce and Finance. In order that a large number of accountants may participate in the activities of the Arbitration Society, a special professional membership rate of \$10.00 has been arranged. I feel you will be interested in obtaining the literature pertaining to this important function of the accountant from the Association's headquarters at 115 Broadway, New York.

6. *Tax Service.* Classified in the same category must be mentioned the great service rendered to the public by accountants engaged in tax work. This constructive service has been two-fold in its benefits; not only has it assisted the taxpayer in accurate and fair determination of what he has to pay, but, in turn, it has materially aided the Government in collecting what is due. Momentarily, it might sound incongruous that accountants have been engaged in rendering constructive service in the collection of taxes; but, upon reflection, you will agree that the cases which are contentious are but a small minority, and that the Government is, and our clients are, indebted to accountants not only for the preparation of returns, but also for advising their clients regarding the establishment of reserves, in order to have available the funds necessary to pay the tax when due. For both these reasons, the tax service rendered by accountants must be regarded as peculiarly constructive.

Some idea of the value and importance of this service can be formed from the fact that the national revenue from income taxes for the fiscal year ended June 30, 1925, is estimated at approximately three billions of dollars.

Now we come to our second caption and perhaps the one most pertinent to cost accountants, namely:

*B. Constructive Service to Labor.* Perhaps the most constructive service accountants can render to labor is to bring about stabilization of employment and improved methods for determining labor's reward. To show that the work of accountants has contributed materially to this end, I need only to enumerate a few of the services that accountants render and can render along these lines.

1. *Improved Cost System.* Improved cost systems have enabled manufacturers to go ahead with courage, born of the knowledge that their costs are accurate. This has aided them to meet foreign competition, increase output, and thereby increase employment.

The strides that have been made in cost accounting in the past quarter of a century have perhaps outstripped those of any other branch of accounting. It is within that period that the task of educating the manufacturer and the merchant to the advantages of this branch of accounting was aggressively undertaken. The pioneers were confronted with indifference and in some cases ridicule. Manage-

ment felt that cost systems were devices to expose their weaknesses and to rob them of their powers and privileges, and the cost accountant was shunned if not despised. This treatment, while unpleasant, brought about a healthy reaction in that it forced the accountant to turn his criticisms inward for awhile—to cease criticising management and direct his attention to improving and perfecting the systems and the service which he had to render. This change from the cock-sure, know-it-all attitude, plus the impetus given to industry by the great war and the demand for the services of the modern comptroller, has brought about a healthy relation between the accountant and management; and to-day the position of the cost accountant is both popular and profitable.

Perhaps the latest and greatest advance made in cost accounting has been in budgeting, and in burden distribution according to what are known as Standard Burden Rates.

According to the old systems, regardless of the fluctuations in volume, due to changes from periods of depression to periods of prosperity and vice versa, the entire burden for the period was loaded on to the direct cost of the volume for the period. This method resulted in high costs during periods of depression and low costs in periods of prosperity, thereby accentuating the difficulties of management. Now, by the establishment of normal costs through standard burden rates, accountants have rendered a constructive service in helping iron out the peaks of prosperity and depression, which are so disturbing to employment. This service of the cost accountant has become so valuable to labor that one feels tempted to predict that within our lifetime, the profession will come to be generally recognized and appreciated by the labor unions, in their own enlightened self-interest.

**2. Profit Sharing Plans.** Another movement in which accountants have been and can be of constructive service both to capital and to labor, is in the promulgation of profit-sharing plans. Profit-sharing by those who are conversant therewith is regarded as the beginning of a new epoch in the relations between capital and labor. A noted industrialist, in a preface to a book on "Profit-Sharing Plans in America," contrasts the various epochs in the relationship of capital and labor, illustrating them concisely in the following summary: The earliest recorded period is that of "master and slave," followed by the epoch of "baron and serf," which, in turn, was followed by the period of "master and man," which later gave way to the period in which we now are, namely, that of "employer and employee"; and the natural subsequence and climax is perhaps the forthcoming period of "profit-sharers." It is claimed for profit-sharing that it induces a third force and that whereas, under the wage system, there is induced the service of the head and the hand, under profit-sharing, is induced the service of the heart also. As a result of personal observation, I am willing to prophesy that in any industry in which profit-sharing gains a foothold, those concerns which are

profit-sharers will in a brief period rise to the top through this advantage in operating relations, and those which are not profit-sharers will suffer and lose position. This has already been demonstrated in many industries. For example, in the steel industry, the United States Steel Corporation is a profit-sharer; in the automobile industry, General Motors, Ford and Studebaker are profit-sharers; in the soap industry, profit-sharers are such well known firms as Procter & Gamble, Lever Bros., and Palm Olive; in the shoe industry, Endicott-Johnson might be mentioned; and in the typewriter industry, the Underwood Company.

The success of these organizations is surely sufficient argument to show that accountants will be rendering real constructive service by preaching the introduction of profit-sharing and training themselves in the preparation and installation of profit-sharing systems.

**3. Depression - Sharing.** Closely connected with the subject of profit-sharing is depression-sharing, and here accountants have an opportunity to render service that is not only constructive, but humane and just. By depression-sharing I mean firing the hours instead of firing the employees. Judging by the present boom on the stock market, a period of depression is behind us and we can now look forward to a period of prosperity, but it is always well to be prepared.

During the 1920-21 depression, I understand there were 3,000,000 workers out of employment, representing with their dependents perhaps 15 million persons. Layoffs of such magnitude worked material hardships on those employees and their dependents. Not only did they cause great suffering, but these layoffs were subsequently found to be uneconomical in that, when later in 1922 the services of these same employees were again needed, they were not to be found, having become scattered, perhaps in other fields of occupation. Depression-sharing is as sound in theory as is profit-sharing. Further than that, it seems a matter of gross injustice in these alternating periods of prosperity and depression through which we are very naturally passing as an aftermath of a world war, that of those employees who have served their employers faithfully during periods of prosperity, a certain few should be singled out and laid off in periods of depression, and that they and their dependents should be forced to bear the full brunt of the suffering caused thereby. Rather than firing some of the employees, accountants could very well advocate that employers fire all the employees for certain working hours or days.

This practice was employed successfully by many employers of labor in the period of depression to which I have referred, many of the plants operating three, four, or five days a week and maintaining on their pay-roll their entire organization rather than lopping off certain unfortunates while the others maintained the full dinner pail.

To inject, if I may, a personal experience, I remember a plant in which I happened to be engaged on an industrial survey at the time of the Armis-

tice, and which employed normally 4,000 employees, with an additional 1,000 employees engaged (and all working 10 hours a day) in order to maintain the production required by the war. Following the Armistice, these war contracts were naturally canceled. Picture the conditions for yourselves. This company produced 40 per cent of the United States output of its particular product, and had a volume of production measured, not in pounds or tons, but by acres (its packing room area embraced 11 acres) already scheduled to come through and had nowhere to ship the product. Storage for such volume was impossible. Confronted with this condition, the officers were about to lay off the extra 1,000 employees; but a suggestion from a public accountant that, instead of firing 1,000 employees, they fire several thousand hours and operate the plant three days a week, won the immediate acceptance of the general superintendent and president, and the organization was maintained intact. In a very few months it was possible to get back to a schedule of full time; and when, in 1919, the period of prosperity arrived, this corporation had its organization intact. I am tempted to go further and state that through all the fluctuations in business since that time, this corporation has maintained its dividends, while at least two of its principal competitors have gone into the hands of the receiver.

To indicate the cost of unemployment, I might mention that strikes and lockouts in 1924 cost labor \$110,000,000.00 and cost employers \$30,000,000.00 and cost the public no less than \$650,000,000.00, making a total of \$790,000,000.00. Accountants can render constructive service to capital, to labor, and to humanity by recommending in periods of depression that the curtailment of employment be shared by all employees, instead of the suffering being borne by an unfortunate few.

4. *Improved Methods of Hiring.* Another way in which accountants can be of constructive service is in the preaching and practicing of improved methods of hiring. The method of hiring in general use today is, in my opinion, unscientific and unnatural. The usual procedure comprises filing an application blank; obtaining references, which frequently mean nothing; a brief interview, or two, with the prospective employee; a demand of a certain salary, followed by the offer of a few dollars less, with the result that relations are established on a compromise. In many cases, less time is taken in hiring an employee than in purchasing a suit of clothes. To attempt in a matter of a few brief interviews to appraise the value of services which can be expected to extend over a period of years, to my mind, is stupid. No one would think of purchasing mechanical machinery on that kind of basis; then, why should it be applied to human machinery?

In our line of business, we accountants must remember that the office boy of today will be the senior or supervisor of tomorrow; and the supervisor of today will be the public or executive accountant of tomorrow; and to build up a success-

ful profession, we must begin at the bottom. The test of any organization is its ability to perpetuate itself, and we are unprotected by any system of indentures.

In substitution for this method, I would submit a plan whereby determination of compensation be postponed just as are all the other factors of employment. Why should salary be the only thing that is definitely determined at these interviews? I would submit that an employee's salary should not be determined until he has had an opportunity of showing what he can do and of observing the requirements and conditions surrounding his task, and until the employer has had an opportunity of observing the employee's conduct and of appraising the value of his services.

This plan may appear novel, but I can assure you from experience that it is practical. On a war contract in 1917, it became necessary to hire and organize in a period of six weeks an accounting force of 250 accountants, bookkeepers, clerks, cashiers, timekeepers, stenographers, etc., to handle the details of construction of an army camp; mechanics were being hired at the rate of 600 a day, and in six weeks the field force was increased from 3,000 to 15,000. During the same period \$6,000,000.00 of material was received, and in less than four months there was constructed a city to house 50,000 troops and 12,000 animals. Time was not available for long and tedious interviews with the employees engaged to keep the accounting records. Pay-rolls jumped sometimes \$50,000.00 and sometimes \$75,000.00 a week. The peak payroll was over half a million a week, distributed to 15,000 employees scattered over 14,000 acres of forest; and in a period of four months, the accounting force controlled an expenditure of more than eleven million dollars. These are not large figures for industry, but the point is that the organization was built up, not in years, but in six weeks. Words fail me to pay adequate tribute to the service rendered, the obstacles overcome, and the loyalty displayed. Suffice it to say that not all the fighting was done overseas. These 250 office employees were engaged on the basis of fixing their pay at the end of a week.

The terms of the improvised hiring contract were as follows:

"Camp Upton, N. Y., Hiring Contract." "I am authorized by the Government to pay between \$20.00 and \$40.00 a week, sleeping quarters are found and meals cost anywhere from 20c to 40c depending on where you eat. I assign you to one of my lieutenants, you work for him for a week, he reports to me as to your services, I fix your pay. If not satisfied you are at liberty to leave. I hope to satisfy you because I need more men. Are you willing to start on that basis?"

(Signed) J. PRYSE GOODWIN,  
Comptroller.

It was an experiment born of conditions. It proved a success. It met with the employees' approval and co-operation. In fact, at the conclusion of the contract, those who remained requested the writer to give publicity to the plan so that more employers would adopt it.

(Continued on page 188)

## *Accounting for a Concern that Manufactures, Rents, and Sells Clocks*

*Adapted for magazine purposes from the graduation thesis  
of Millard Dalston, Pace Institute, New York*

**I**N THIS article, the cost and other accounting procedures for an organization that manufactures, rents, and sells clocks will be discussed. No attempt will be made to give a complete description of the accounting procedures used. However, sufficient material will be given to enable the reader to obtain a fairly good knowledge of the accounting and other procedures followed by an organization of the type under consideration.

The clocks manufactured are wooden cased or metal cased, suitable for offices, factories, stores, and store windows. The process of manufacture is divided into four parts—the manufacture of parts, the construction of cases, the assembling of movements, and the assembling of the complete clocks.

### *Manufacture of Clocks*

Parts and cases are manufactured in the parts department and the cabinet department, respectively, or are purchased, and are kept in a central storeroom.

The movement department requisitions the material required from the storeroom, assembles and numbers the movements, and fills out and attaches a tag to each movement. The tag shows the movement number—the clocks are known by their movement number, the cases are not numbered—the number of beats the movement makes per minute, and the number of the manufacturing order to which the cost is to be charged. After proper testing, the movement is sent to a storeroom in the clock department.

The clock department draws the parts, cases, and movements needed; assembles the clocks; notes on the tag attached to each movement the style of clock and the number of the manufacturing order to which the cost is to be charged; and sends the clock to the packing department.

Here the clocks are packed, the designation of the style is stenciled on the packing cases, and the tags mentioned above are tacked on the outside of the packing cases.

The clocks are then sent to a storeroom for complete clocks, where they are arranged according to style.

### Transfers Between Departments

A report is made in triplicate by each department, showing the number of movements, cases, and parts sent by it to some other department or to the storeroom. The copies are forwarded with

the material. Two copies are signed by the person receiving the material. One of these copies is returned to the sender, and the other is sent to the office. The third copy is retained by the department or storeroom receiving the goods. These reports are numbered in order that all may be accounted for.

## Manufacturing Order

A set of manufacturing orders covering the standard parts, movements, and clocks is issued each month. When a special design or style is required, a special manufacturing order is issued. The order is typewritten in duplicate. The original is sent to the factory superintendent, and the duplicate, to the cost department. The cost department's copy is illustrated by Form 1.

The factory copy of the order is similar to that furnished the cost department with the exception that the two columns for labor are omitted.

### Requisitions

Requisitions for material to be taken from the stockroom are made out in triplicate by the foremen of the various departments. One copy is signed by the man receiving the material; and this copy is kept by the stock-clerk for his records. The second copy is returned with the material and is attached to the manufacturing order for which the material was drawn. The third copy is priced and is sent to the clerk in charge of the cost ledger. He posts it to the cost record (Form 1).

Date Issued .....	M't'g Order No. ....
Manufacture	

  

Material			Labor	
Requisition Date	Description	Cost	Amount	Week Ending

  

Signed .....	Approved .....
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**Form 1—Manufacturing Order**

Department .....		Workman's No. ....						
Week Ending .....		Rate Per Hour .....						
M'f'g Order No.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total Hours	Amount
Totals .....								

Form 2—Time Sheet

### Time Records

The foreman of each department allots the work to his men and gives them the number of the manufacturing order upon which they are to work. Both the workmen and the foreman keep time sheets (Form 2) showing the time spent on the various jobs.

When a workman finishes a job, he checks the time spent on the order with the foreman. At the end of the week the foreman collects the workmen's time sheets, checks and approves them, and sends them to the factory clerk.

The time sheets are then checked as to total time with the workmen's clock cards. The total hours spent on each order are then extended and the rate per hour applied, and the cost of labor spent on each manufacturing order determined. The several costs on each time sheet are added to show the amount due the workman. This amount is proved by applying the rate per hour to the total hours worked during the week.

The amounts due the workmen are then posted to their pay envelopes, after which the amounts on the envelopes and the totals of the time sheets are footed on an adding machine and proved one against the other. The envelopes, together with the amount of the pay-roll, are then sent to the cashier.

The pay envelopes are so arranged that each side has enough lines to enable the workman to sign for his pay the number of times he is paid in a quarter of a year. At the end of each quarter the amounts paid are footed and carried forward to the other side of the envelope or to a new envelope. In this way, it is very convenient to ascertain the total amount paid each workman during the year. This is important because of the requirement of the federal income tax regulations demanding that a report be made of all payments made to workmen who make one thousand dollars or more during the year.

A distribution sheet is made up distributing the pay-roll to the various manufacturing orders to which it applies. This sheet is proved with the total of the pay-roll and sent to the cost department, where it is posted to the manufacturing orders in columns provided (see form 1).

### Completion of Manufacturing Order

When the manufacturing order is complete, the cost of the material and labor are added together

to find the total cost of the order. This amount is then divided by the number of units manufactured on that order to ascertain the cost of each unit.

After the cost of the movements has been obtained, the costs, the movement numbers, the number of beats per minute, and whether they are minute or seconds (a minute movement is one without a seconds hand) are typed in the space provided on the movement and clock card (Form 3).

This card gives the complete history of the movement, showing when it was made and how many times it was shipped out and also the number of times it was returned to the factory.

The manufacturing orders for complete clocks show the movement numbers, the cost of the cases and parts used, and the cost of labor expended thereon. The cost of each case with parts is found in the manner explained above, and the cost of the various movements is obtained from the movement and clock cards (Form 3) and the two added together to give the complete cost of each clock manufactured on that order.

After the cost of the complete clocks has thus been ascertained, the manufacturing order number, the cost, and the style of the clocks are typed on the movement and clock cards (Form 3.)

The stock records, factory ledger, work-in-process ledgers, and controls do not differ greatly from those used in most factories. Therefore, a detailed explanation will not be given.

### Renting of Clocks

Salesmen are furnished with contract and order forms, which are filled out at the time they receive subscriptions for clocks. The order shows the subscriber's name and address, the style of clock desired, the rental per quarter, and any other information that is deemed necessary. The contracts are filled out in duplicate. One copy is retained by the subscriber, and the other is forwarded by the salesman to the office with the order.

At the office the contracts and orders are examined and classified. The contracts are then filed alphabetically. The orders are divided into two lots—those requiring a special style of clock, and those requiring a standard type.

The orders for standard clocks are sorted alphabetically according to geographical division and

MOVEMENT AND CLOCK CARD								
Movement No. ....		Beat .....		Minute or Second .....				
Movement Cost .....		Made on M'f'g. Order No. ....						
Complete Clock Cost		Style	Subscriber		Shipped		Returned	
M'f'g Order No.	Amt.		Name	Address	Index	Date	Index	Date

Form 3—Movement and Clock Card

are given to a typist, who fills out a stock requisition in triplicate for each order, showing the subscriber's name and address and the style of clock requested. Two copies are sent to the stock-clerk in charge of the complete clocks, and the other copy is retained in the office and filed with the order.

The stock-clerk takes from stock the style of clock requisitioned, writes the clock number on both copies of the requisition, attaches one to the packing case, and sends the clock to the shipping department. The other copy of the requisition is retained by the stock-clerk for his records.

### Shipping Procedure

In the shipping department the name and address are marked on the packing case, the bill of lading or express receipt is made out, the tag and requisition are detached and stamped with the date of shipment, and the clock is shipped.

The tag, the bill of lading or express receipt, and the requisition are sent to the office, where the movement number written on the requisition is compared with that on the tag. After this has been done, the office copies of the requisition and the order are taken from the file and attached to the requisition, etc., received from the shipping department. A notice of shipment and a copy of the bill of lading is then sent to the subscriber.

The requisition, order, and the like, are then turned over to a clerk in charge of the shipping book (Form 4), who makes the proper entries therein and writes the shipping book number and folio on the requisition.

The style of clock, the subscriber's name and address, the index, and the date of shipment are then typed on the movement and clock card (Form 3).

Date of Shipment	Subscriber		Style of Clock	Cost Debit Clocks on Rental	Rental Collectable for the Current Quarter		Quarterly Rental after
	Name	Address			Posed	Amt.	

Form 4—Shipping Book

Another card called the subscriber's card (Form 5) and an addressograph plate are made out. The plate shows the subscriber's name and address and the rate of rental per quarter. The addressograph plate is filed alphabetically according to district and rate of rental. The subscriber's card is filed with other similar cards, but the addressograph plate is kept in a separate file until after the end of the current quarter. The order, tag, and the like are also filed.

SUBSCRIBER'S CARD											
Name			Address								
Movement No.	Style of Clock	Rental Book Index	Date Installed	Rate per Quarter							
Rental		Paid		Rental		Paid		Rental		Paid	
Date	Amt.	Date	Amt.	Date	Amt.	Date	Amt.	Date	Amt.	Date	Amt.

Form 5

### Return of Rented Clocks

When a subscription is canceled by a subscriber and the clock returned, a return slip is made out in triplicate showing the subscriber's name and address, the movement number, and the style of clock. The original is sent to the factory with the clock, the duplicate is sent to the office, and the triplicate is retained by the receiving department in pad form. The movement number is listed with the movement numbers of other clocks returned and the list is checked against the movement and clock cards to make sure that none of the clocks listed have previously been sold.

The clock is then sent to the factory. Here it is examined, and a report as to its condition is made out. The report is made on a special form, which shows the movement number, the style of clock, whether or not the clock is to be broken up, and whether or not any parts are missing. The report is sent to the office, where it is checked with the duplicate of the receiving slip, and with a list that is made up from the notifications of cancellation received by mail from the subscribers. If the factory copy of the return slip is not returned to the office within a reasonable time, inquiry is made as to the whereabouts of the clock.

An entry is made in the return book (Form 6), and a bill for the rental due is mailed to the subscriber. The amount due is posted to the proper subscriber's card from the return book, which contains a column in which such amounts are entered.

If the clock returned is not to be broken up, the value of the clock, as shown by the movement and clock card (Form 3), is entered in the clocks column. The clock itself is polished and sent to the storeroom for complete clocks. If the clock is in poor condition, it is disassembled; the case is refinished; and the movement and parts are repaired. The case and movement are then sent to the storeroom. The cost of the repairs is charged to a special manufacturing order, which, in turn,



is charged to the reserve for depreciation of clocks on rental account. The value of the movement, as shown on the movement and clock card, is entered in the movements column. The value of the case and the value of the parts are entered in their respective columns at the current cost of new material. The current values are used because the case and parts are returned to stock, where they lose their identity. Only the value of the material actually returned is entered in these columns. The value at which the clock was sent out is entered in the clocks on rental column. An amount to balance the entry is then made on either the debit or credit side. At the end of the accounting period the variation account is either charged or credited (as the case may be) to the reserve for depreciation of clocks on rental account.

The addressograph plate of the subscriber is then taken from the active file and destroyed. A notation of the return is typed on the movement and clock card (Form 3) and on the subscriber's card (Form 5), and the return slip is filed.

At the end of the month the shipping and return books are footed, and the debit and credit columns are posted to the proper accounts in the general ledger.

#### Billing Procedure

As explained heretofore, when a subscription for a clock is received, an addressograph plate is made out and is kept in a separate file until after the end of the quarter. This file, however, is arranged in the same order as the main file—alphabetically according to district and rate of rental.

The bills sent to the subscribers are printed, some showing the amount of rental per quarter, and some in blank. The addressograph plates in the main file are then run off on the bills showing the proper charge. The plates in the new subscriber's file are run off on blank bills and the amount of rental due is filled in. The total of the bills is then ascertained and proved.

A "memo of rentals due" book is kept, which is compiled as follows: To the balance shown as at the end of the previous quarter, is added the total additional rentals per quarter of the new subscriptions received during the current month as shown in the "quarterly rentals thereafter" column in the shipping book (Form 4). From this is deducted the total of the rentals per quarter column, as shown in the return book (Form 6).

This would give the total rentals due, if it were

not for the new subscriptions received during the current quarter, which are for only a portion of the time. Therefore, to prove the amount due, as shown by the bills, the total of the rental collectable for current quarter column in the shipping book (Form 4) is added to the balance of the memo of rentals due book as at the end of the previous quarter, and the total of the rentals per quarter column in the return book (Form 6) is deducted therefrom. The resultant figure should agree with the total amount of the bills.

After the bills are proved, the amounts are posted to the subscriber's card (Forms 5, 7). The amounts for a full quarter are posted from the invoices; and the amounts for a portion of a quarter from the shipping book. If desired, the shipping book may be posted from time to time during the month. The postings are then footed on an adding machine to prove that all the items have been posted. If the number of subscribers becomes voluminous, controls may be set up for each geographical division, thus facilitating the finding of errors.

#### Sale of Clocks

In addition to the contract and order forms already mentioned, the salesmen are also supplied with a form of sales order. As sales are made, these orders are filled in and forwarded to the home office.

After the credit department has approved the sales, the orders are sorted as to those for standard clocks and those for special styles.

Sales slips are then made out in quadruplicate for the orders, and manufacturing orders are made out in duplicate for the orders requiring special styles of clocks. The originals, together with the factory copies of the manufacturing orders, are sent to the factory superintendent; the duplicate copies of the sales slip are sent to the shipping department; the triplicates of the sales slips and the cost departments copies of the manufacturing orders are sent to the cost department; and the quadruplicates of the sales slips are sent to the billing department.

If the clocks are to be drawn from stock, a requisition (of different color from the rental requisition) is made out in triplicate for each clock. Two copies are sent to the clerk in charge of the storeroom for complete clocks, who retains one and attaches the other to the packing case of the style of clock requisitioned and writes the movement

Date of Return	Subscriber		Style of Clock	Mov't No.	Debit					Credit		Rental Due	Rental Per Quarter
	Name	Address			Clocks	Mov'ts	Cases	Parts	Variation	Clocks on Rental	Variation		

Form 6—Return Book

number on both copies of the requisition. The clocks are then forwarded to the shipping department, where they are prepared for shipment.

The tags and requisitions are detached from the packing cases and fastened to the shipping copies of the sales slips. The date of shipment is stamped on the sales slips, requisitions and tags, and the clocks are shipped.

The shipping copies of the sales slips, the requisitions, the tags, and the bills of lading or express receipts are forwarded to the billing department. Their copies of the sales slips are taken from the file and attached. The movement number and date of shipment are marked on the billing copy, and the invoice and sales book are made out.

The sales book is a carbon of the invoices, three or four invoices being entered on each page. A billing machine may be used that types the invoice and makes the entry in the sales book and also foots the sales book in one operation.

The typist in charge of the movement and clock cards takes the sales book at convenient intervals and types on the card the date the clock was shipped and the name and address of the purchaser.

#### *Repairs to Clocks Sold*

It often happens that a sold clock is returned to be repaired. When this occurs, the movement number is looked up to make sure that the clock has been sold. After this has been done, a set of sales slips, and manufacturing orders, and a special tag are made out. The tag shows the owners, name and address, the movement number, and the manufacturing order number to which the cost of the repairs are to be charged. The tag is attached to the clock and the sales slips and manufacturing orders are sent through the regular routine.

After the clock has been repaired and shipped, the billing is held up until the cost department has ascertained the cost of the repairs and figured the charge to be made to the customer.

#### *General Books*

The general books, such as the general ledger, voucher register, cash book, and the like, vary only in minor details from those of standard systems. A detailed explanation of them, therefore, has been omitted.

## **THE PACE STUDENT**

*A monthly Magazine of service, interpreting the purpose, spirit, and needs of Modern Business*

*Subscription \$1.50 a year, Payable in Advance*

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## **Pace Alumni Luncheon**

The monthly luncheon of the Pace Alumni Association, held at the Machinery Club, Saturday, October 17th, was a most interesting and enjoyable affair. The luncheon—the second of the fall season—was well attended, and the enthusiasm and the good fellowship that have characterized previous luncheons were evident.

In the absence of Mr. J. C. Mayer, Mr. Marks led the group singing of a number of unique selections.

Matters pertaining to the business and forthcoming activities of the association were discussed and acted upon. Mr. Arthur F. Swenson, vice-president, occupied the chair in the absence of Mr. Henry E. Mendes, president. The nominating committee submitted the names of nominees to fill the expiring terms of seven governors of the association. The following were unanimously elected to serve on the board of governors for the coming year. Mortimer R. Herrmann; George E. Kirby; Benjamin Aaronson; Miss Ethel N. Noden; Irving Spenciner; William C. Talley, Jr.; and Alfred F. Upton.

Following the election of the governors; Charles T. Bryan, outlined the plans for the annual graduation exercises of Pace Institute, New York, which are to be held at the Machinery Club on Saturday evening, November 14, at eight o'clock. Mr. Bryan suggested, on behalf of the Institute, that the informal reception and dance, which will follow the graduation exercises, be conducted under the auspices of the Alumni Association. At the close of Mr. Bryan's remarks, the association, by a motion, duly made and seconded and unanimously carried, pledged its full support to the plan suggested on behalf of the Institute.

Other matters of business were transacted, and the financial report of the association was read by F. M. Schaeberle, executive secretary.

Following the business session, Mr. Swenson introduced Mr. Homer S. Pace, the speaker of the day. Mr. Pace took for his subject "Turning the Corner in Transportation." Beginning with the development of transportation from ancient times, Mr. Pace graphically described its transitory stages and the relation of this important economic factor to civilization and progress. He discussed particularly the possibilities of motor transportation and the development of highway freight routes. The address was most interesting in character and was enthusiastically received by the association members.

The next monthly luncheon will be held at the Machinery Club on Saturday, November 21st. The members of the 1925 graduating class will be the guests of the firm of Pace & Pace at this luncheon.

## The Editor's Letter Box

**T**HE following correspondence brings out certain usages in the form of business letters. In such matters, good usage can be indicated without condemning practices that are somewhat different. The letters follow:

"I should appreciate an expression of your opinion on the following points with regard to the inside address and salutation of a business letter, using this as an example:

A. B. JONES, President,  
New York, Telephone Company,  
New York, New York.

Dear Mr. Jones:

"It is preferable and/or correct:

1. To insert 'Mr.' or 'ESQ.' on the first line?
2. To use only initial capitals on the first line?
3. To use other methods of indentation and spacing between lines, when
  - a. the body of the letter is single-spaced?
  - b. the body is double-spaced?

"An officer of a company is a former judge and is ordinarily addressed as 'Judge Smith.' In such a case, is the following form or is some other form correct and/or preferable:

HONORABLE J. C. SMITH, President,  
New York Telephone Company,  
New York, New York.

Dear Judge Smith:

"In my judgment, it is both preferable and correct to insert Mr. before the name of the president or of any other official of a company when his official designation is given. While Mr. should not be used when titles, degrees, and the like are given, it should, it seems to me, be used in the instance you give, since the word 'president' merely designates the official capacity of the person addressed in the company by which he is employed. Frequently, the official designation is written on the second line just before the name of the company. The address you give would then appear as follows:

Mr. A. B. Jones,  
President, New York Telephone Co.  
New York, N. Y.

In this instance, the form does not present a very neat appearance because the second line is too long; and when the name of the company is long, it is often impracticable to place the official designation before the name of the company. In such instances, of course, the official designation would be placed immediately after the name. Whenever practicable, however, in my opinion it is somewhat preferable to place the word 'president' or other official designation just before the name of the company

rather than just after the name of the person addressed.

"When the body of a letter is single spaced, the name and address should be single spaced. If the name and address is written without indentions, the paragraphs of the letter should likewise preferably be written without indentions. A double-space should be used between the name and address and the salutation, between the salutation and the first paragraph, and between paragraphs. The name and address of a single-spaced letter should not be double-spaced. The following will illustrate the form to use when no indentions are used:

Mr. Arthur B. Jones,  
President, New York Telephone Company  
New York, N. Y.

Dear Mr. Jones:

Your letter . . . . .

"When the body of a letter is double-spaced, the name and address should be double-spaced. If, however, the name and address take up four or more lines it would probably be better, for the sake of appearance, to single space the name and address. The address and the beginning of paragraphs of double-spaced letters should be indented. The following is given as an illustration:

Mr. John J. Smith,  
1941 West 91 Street,  
New York, N. Y.

Dear Mr. Smith:

Your letter . . . . .

"Inasmuch as a person who has held a public office or who has retired from the Army or Navy usually retains his official designation, either by law or by courtesy, the form you give in your letter, in my opinion, is correct. I should not, however, write the name in all capital letters, and I should place the word 'president' at the beginning of the second line. The following will illustrate what is the preferable form to use:

Honorable J. C. Smith,  
President, New York Telephone Co.  
New York, N. Y.

Dear Judge Smith:

**A**DVERTISING is becoming each year more and more a force to be reckoned with in all kinds of businesses. Among other results it helps to build or destroy good-will, which is of especial interest to accountants. The following questionnaire, sent out by a man well known in the field of advertising, was formulated in order to obtain the views of business men in widely different lines of work on the six questions it contained.

"1. How may the advertisable traits

of a product be determined?

"2. How may the value of advertising be computed, either before or after it has been run?"

"3. What is the logical basis for making up an advertising budget? How can I obtain a specimen of a model budget?

"4. To what extent may test methods be applied to advertising?

"5. How should the theme for an advertisement be selected?

"6. Can you suggest how to procure an example of a complete advertising plan?

Mr. Homer S. Pace, in replying to this questionnaire, gave only a general answer to each question. However, we believe that a careful reading of these replies will be of value to accountants. Comments on these questions and answers will be welcomed by the Editor. The answers follow:

" . . . . . I can not hope to give you more than a general answer to each question—an elaboration of each answer would require many days of work.

"1. The advertisable traits of a product should be determined by a study of the product and a coincident study of the mental attitude, shopping habits, and purchasing power of possible users.

"2. The value of advertising is computed on the basis of the determination of traceable results and by an estimate of benefits received that are not capable of absolute determination. The difficulty of making an estimate substantially correct is so great that businesses may be wrecked and fortunes lost because of incorrect conclusions; and, inversely, fortunes may be made by accurate estimates and forecasts.

"3. The logical basis for making an advertising budget is found in the computations obtained as per the foregoing answer, subject to estimates of marketing conditions that are likely to exist during the life of the budget, with possible limitations due to capital available, conditions of production, and the like. I can not tell you where to obtain a specimen of a model budget.

"4. Advertising is always to a considerable extent experimental—changes in style, progress in invention, changes in living habits, and the like occur so rapidly that advertising results must be checked, tested, and estimated from month to month and often from day to day. The answer to No. 2 has some relation to this question.

"5. This question can not be answered in a general way. The theme of an advertisement almost certainly depends upon the character of the particular product and the history of its production, use, and distribution.

"6. I suggest that you seek to obtain from some experienced and successful advertising man permission to inspect his work. I am sorry I do not have any one to whom I can send you for this information."

## Howard Abel

**H**OWARD ABEL, Controller of the Brooklyn-Manhattan Transit Company, with which he had been connected for twenty-two years, died recently at his home in Brooklyn.

Mr. Abel was born in Yorkshire, England, in 1869. His ability was so marked, and his experience so varied that he was in demand by the street railway companies of the United States and England. He was recognized as an expert in the field of public utility auditing. During his career he held important positions with many of the greatest corporations in the public utility field. He was at one time connected with the Fox Pressed Steel Car Company in England, and after coming to this country in 1892 was associated with the Chicago & North Shore Railway Company. He later became associated with the Charles E. Yerkes interests and then became Secretary and Treasurer of the Northwestern Elevated Railway Company and the Lake Street Railway Company in Chicago. During the building of the underground railway in London he was sent to London and became Secretary and Treasurer of the London Underground Railway Company. In 1903 he joined the Brooklyn Rapid Transit Company as Controller, and when the company was reorganized in 1923 he was retained in that position. Mr. Abel was also a director of the Coney Island and Gravesend Railway Company and a member of the Cherry Valley Golf Club and the Crescent Athletic Club.

## New Ruling, N. Y. Board of Regents

**A**BRIEF statement of the new ruling of the New York State Board of Regents with regard to qualifying certificates for the C.P.A. examinations, follows:

"After September, 1927, it will be no longer possible to obtain the qualifying certificate except through attendance and graduation from a state-accredited four-year high school. To obtain this preparation the student will have to spend from four to six years (the average will be about five years) in night high school, attending five nights a week, thirty-six school weeks in the year.

"Until 1928, however, it will still be possible to obtain the certificates by night study, employing but half that time."

WALTER A. STEGMAN, a graduate of Pace Institute, New York, was among the successful candidates who sat for the New York State C. P. A. examinations. Mr. Stegman is now established at Hartsdale, New York, for the public practice of accountancy.

## Samuel Rea

"An eminent engineer and honored by the profession, an authority in the art of accounting, clear of vision and sound of judgment in the realm of finance, Samuel Rea holds a place as pre-eminent in the science of railroad management as in the affections not merely of those who have been closely associated with him but as well of the army of which he has been the distinguished commander."

This excerpt from the minutes adopted by the board of directors of the Pennsylvania Railroad on the occasion of Mr. Rea's retirement from the presidency of the Pennsylvania Railroad Company will be of interest to many readers.

It will be noted that accounting is one of the two technical qualifications mentioned. When a man of Mr. Rea's preeminence in organization and management prepares himself to be "an authority in the art of accounting" for the better execution of his official work as president of the Pennsylvania Railroad, the vital relation that the study of accountancy bears to success in modern business is brought into clear relief.

BRUCE W. DOLD, who graduated from Pace Institute in 1924, recently received his New York State C. P. A. certificate. Mr. Dold is now treasurer of the Independent Wireless Telegraph Company of New York.

G. SCHVASTA, a student at Pace Institute, New York, is now employed by Ogden and Company. Mr. Schvasta is a member of Class A5113.

Mr. VAN DER KOOGH, has accepted, through the Pace Agency for Placements, a position as bookkeeper with the Pure Oil Company. Mr. Van der Koogh is a member of Class D-5507

S. RYAN, Class D5501, is now employed as a bookkeeper with the Duro Oil Company, New York.

## Public Speaking Club

**T**HE first Fall meeting of the Pace Public Speaking Club was held Wednesday evening, September 16th, at eight o'clock. The meeting was well attended, and great enthusiasm was shown by the members in the plans for the coming year.

After the business of the meeting had been transacted, a great deal of discussion took place on the formation of plans for the winter. It is hoped that with the material that will be forthcoming from the fall public-speaking classes, that a big dinner can be held sometime in the late Fall or early winter, on which occasion good speakers will be secured.

One of the outstanding features of the first meeting was the reading of a letter by the President, Mr. William Weber, from Mr. Gerald Morell, a member of the Club, who is managing the campaign for James E. Finegan, Republican candidate for Comptroller. The Pace Public Speaking Club points with pride to this achievement, and feels that the Club is fittingly represented in the field of politics.

The members of the executive board feel that this club offers one of the best opportunities for a man to gain confidence in speaking in public. The members of the club act as a group, and they all know one another. One of the chief assets is that helpful and constructive criticism is given by one's clubmates and, in this, every member of the club has a chance to participate on an equal basis.

Perhaps the philosophy of the whole idea surrounding the aim of this public-speaking club can be summed up in the words of Thomas Carlyle, the famous Scotch writer and philosopher who said, "Work while it is yet day, for the night cometh when no man can work."

SAMUEL W. LERER, C. P. A., graduate of Pace Institute, New York, wishes to announce that he is engaged in the general practice of accountancy at 217 Broadway, New York City.

## Pace Agency For Placements, Inc.

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New York City

## The Constructive Viewpoint of the Accounting Profession

(Continued from page 180)

**Accountants' Staffs.** Now, let us come a little nearer home. I should like to talk on constructive service to accountants' staffs. In the last few years there has been a remarkable improvement in the relations of public accountants to their staffs and, in turn, a remarkable improvement in the relations of accountants' staffs to public accountants. The need of men of high technical skill, recognition of the wear and tear of an exacting profession, the mental strain on brain workers, and the need of good health and temperament in order to obtain longer years of service, and better service, have brought about improvements of which perhaps the following might be enumerated:

1. Manuals for conducting audits, investigations, etc.
2. Standard forms of accounts.
3. Standard forms of reports.
4. Standard forms for verification letters.
5. Standard working papers.
6. Improvement in tools and equipment, illustrated by elimination of vivid pink and green rulings on columnar working paper and by provision of batteries of fountain pens and pencils, etc.
7. Staff lectures and staff schools.
8. Aid to staff members in financing courses of study.
9. Written instructions to accountant taking charge of new engagements, clearly defining his duties and responsibility.
10. Reduction to a minimum of night work.
11. Improvement of office working conditions as to light, ventilation, and heat, and elimination of partitions, so confining to the eyesight, and giving to the office a zoological aspect.
12. Periodical vacations.
13. Constructive and encouraging manner of supervision of field work.
14. Constructive and encouraging criticism of reports, courteously presented.
15. Realization on the part of those in the privileged position of critic, of responsibility for exercising that privilege with courtesy and tact.

It is now recognized that the taking advantage of privileged positions to bully and browbeat subordinates is not only contemptible and cowardly, but also expensive. To those guilty of this vice, it spells loss of respect and popularity; to the subordinate, it destroys his happiness in his work; and to the organization, there is perhaps the greater loss in destruction of productive power of both executive and subordinate through the mental disturbance caused thereby.

A constructive and encouraging manner in relations with men in the field is of great importance. A constructive and profitable method of handling employees

is exemplified by such men as Firestone, Ford, and Schwab. That remarkable executive, Mr. Charles M. Schwab, says he has never yet found a man who failed to respond to praise and, conversely, no man can produce his best under criticism.

Similarly, with regard to reduction in night work, which is still all too common in the profession and in accounting and bookkeeping offices, we are only beginning to learn the lesson that we cannot burn the candle at both ends and that excessive night work is offset by a relaxation during the following day.

Men engaged in work that is confining cannot stand up under the strain unless they enjoy good health. For this reason, more attention has been given of late to the important subjects of ventilation and light. Similarly, no longer do accountants and cost accountants go out on contracts fortified with nothing but a few verbal instructions with consequent nerve-racking experiences. Manuals, forms, etc., are now regarded just as essential a part of an efficient organization as is oil to machinery.

Our fourth caption is:

**D. Constructive Service in Prevention of Crime.** I should like to carry your minds now to another and entirely different field for constructive service by the accountants, and that is the field for prevention of crime. Accountants, in my opinion, have rendered and can render great service in this field. Figures obtained from the 1924 annual report of the superintendent of New York State Prisons show conclusively a close relationship between crime and periods of prosperity and periods of depression. In the period of depression preceding the entrance of America into the World War, there was a marked growth in the inventory of prisoners in New York State penitentiaries. From the time of our entrance into the war until the year 1920, due to expansion in business and increase in demand for employees of all classes, plus the draft system, there was a marked reduction year by year in the inventory of prisoners. Following, however, the depression which started in 1920, and which has continued with certain breaks right up to date, the years 1921, 1922, and 1923 show an annual increase in the number of prisoners, and crime today has become a subject of national anxiety and alarm. You will be glad to know that for 1924 the prison population shows some slight reduction, due to improvement in labor conditions. Those prisoners in which accountants are most pertinently interested would naturally be accountants, bookkeepers, and clerks. Statistics show that 5 per cent. of the prisoners in New York State prisons at June 30, 1924, were of these occupations. There were one and a half times as many bookkeepers as accountants and nearly five times as many clerks as bookkeepers.

In order of population, this group

ranks third, being outnumbered only by laborers and chauffeurs. Statistics also show that the age of the largest population at the different prisons is somewhere between 22 and 27. In other words, the average age is very young. According to one of the surety companies, in 70 per cent. of its cases, the crimes are committed by employees under thirty. Those of us who have had experience in auditing or working in financial houses, such as banks and brokerage offices, know the calibre of the young men employed by them; what speed they have in advancement, perhaps not always in pay, but in duties and responsibilities; and the heavy burdens and temptations which are placed on young shoulders. Too often do we find that young employees are handling volumes of securities and millions in money turnover, with inadequate systems of control and inadequate methods of internal check, the absence of which creates temptation. In the medical profession, there has been a marked change in recent years. The leaders in that profession find they can be of greater service to the public by directing their efforts toward prevention rather than cure. Accountants, I think, might take a leaf from the book of this older profession. Much can be accomplished by accountants through publicity, advocating systems of control for the protection of men who are engaged in the handling of cash and securities. Theirs is only another branch of accounting work; and if we accountants, with our higher education and wider experience, do not help these unfortunates, then who will? Much is demanded where much is given, and surely this is not only an opportunity but an obligation.

I would go a point further. In industry there is now recognized by law a responsibility on the part of the employer to his employee for the hazards of his industry, and the result of this recognition of responsibility has been that in those business pursuits where there are physical hazards caused by machinery, chemical poisoning, etc., the law has forced employers to furnish protection in the form of guards, masks, etc. In the counting house there are moral hazards of theft and speculation corresponding to the physical hazard in industry. To these hazards there are moral safeguards that can be applied. I believe the time will come, and in our lifetime, too, when the law will recognize the responsibility on the part of the employer for the moral hazard to his employee. The judiciary is already giving thought to the subject. I quote to you the following excerpt from the Tribune, giving remarks made by Justice Taylor, of New York, when passing sentence on a defaulter who had stolen some bonds from an investment house:

"The amazing feature of this case," said Judge Taylor, "is what it reveals concerning the carelessness of financial houses in transferring negotiable securities. Nearly half a million dollars in coupon bonds were carried by two unarmed young men, first in the subway and then through various streets in an

almost deserted locality. The head messenger was an habitual associate of criminals. He belonged to a gangster club that met in the back room of an East Side barber shop. The head of the club, known as 'The Chief,' was a gunman who served a long term in Sing Sing.

"Something should be done to stop financial houses from putting temptation in the way of others. As to crimes of this kind, financial houses are to blame for making possible the commission of crimes. There should be such a thing as criminal accountability for the reckless disregard of Our Lord's words, 'lead us not into temptation.' The mere fact of carrying insurance against theft is no excuse for shirking responsibility.

"This crime nor the West End Bank robbery could not have been committed had proper safeguards been used."

These hazards are not restricted to financial houses. They relate perhaps equally to industry and commerce and apply to merchandise as well as to cash and securities.

As accountants, we must educate the employer:

- (1) In the moral effect of good systems of accounts.
- (2) In the moral effect of the periodical audit.
- (3) In the protection furnished to both employees and employer by systems of internal check.
- (4) In the application of constructive and inductive forces to offset temptation.

By so doing, we will be rendering a great constructive service.

Now I come to my last subject:

**E. Constructive Service in Development of the Accounting Profession.** There is a large opportunity for constructive work on the part of accountants to enlarge and improve the profession by supporting the organizations that are representative of it. Much has already been done, and due credit must be given to those who have brought the profession to the degree of advancement to which it has already attained.

Due to the progress made in the past quarter century, there are today organizations that embrace each and every function of the profession. The principal organizations are the American Institute of Accountants, the American Society of C. P. A.'s, the National Association of Cost Accountants, and the various State C. P. A. Societies.

There are many men qualified to join these societies and organizations who do not join. Some of them are malcontents.

Once I heard a member of one of these organizations say that all he got out of the organization was ethics and restrictions that prevented him from developing his practice, plus the privilege of paying his dues. That is quite possible, but why blame the organization? By purchasing a railroad ticket, it is possible to get only a piece of cardboard; but most people have enough energy, initiative, and common sense to get aboard the train, to enjoy a comfortable seat, to enjoy the association of traveling companions, to enjoy the courtesy which

the railroad officials nowadays delight in rendering (even the conductors, not infrequently, treating one as an equal), and to enjoy the scenery through which they travel. Is it the organization's fault that all our friend got was ethics and the privilege of paying his dues? Were he to take the trouble to follow up his check and visit the organization wherein it is received and interview the officials, observe the kind of service that they render, the co-operative manner and intelligent administration that is displayed, then, I am sure, he would admit that the cause or the blame for his getting nothing more than ethics and the privilege of paying his dues rests with himself.

That action and reaction are equal and opposite is as true of human nature as it is of dynamics.

We never get out of life more than we put in.

Then again, not only between accountants, but between accounting organizations, there exists too often, I fear, a spirit of antagonism and jealousy rather than a spirit of co-operation. This spirit is surely as backward as the narrowness, the bigotry, and the intolerance which used to prevail between religious sects, and which for years has held back the Christian Church. Perhaps such destructive critics fear the competition of these accountants or of their associations. I hope to show that their fears are based on a false premise. From 1907 to 1911 I took a vacation from the profession to accept a position as treasurer and director in the automobile industry. Those were the pioneer days in automobiling; the Ford was just beginning to appear. All automobile men seemed to be obsessed with the idea that the Ford car would put the higher class cars out of business, and my how scared we were. We realize now how foolish were our fears. Instead of putting higher grade cars out of business, the Ford has been the training ground for people who, had it not been for the cheapness and utility of the flivver, would never have owned an automobile. Instead of injuring the business of the better grade cars, Ford users have graduated to these cars until to-day there are no less than 17,000,000 car users, and should one venture on the highway on a Sunday or a holiday, it would seem that the whole 17,000,000 were in the same frame of mind. The point is that through competition, in the briefest period on record, there has been established a stupendous industry.

Instead of criticising the other fellow and the other societies and associations, we should offer them every assistance and co-operation, and by so doing increase and enlarge the field for the accountant.

Today, I understand that there are not more than 6,000 C. P. A.'s in the country, 1,000 of whom are said to be duplicates of more than one state, and another 1,000 are comptrollers, cost accountants, auditors, etc., leaving a balance of 4,000 in practice. With a population of 110,000,000 the ratio is 1 to 27,500. In England and Wales (I make no reference to Scotland and

Ireland for fear of starting an argument) with a population of 35,000,000 there are, I understand, approximately 9,000 chartered and incorporated accountants, showing an approximate ratio of 1 to 4,000. There would, therefore, appear to be ample room here for expansion in membership in the profession, without treading on one another's toes.

Gentlemen, the opportunity is yours, and your duty is to deserve it.

In the words of the Rotarians, "He profits most who serves best."

I thank you.

**WILLIAM H. COMPTON, C.P.A.**, a member of the Pace Course faculty for many years, was recently the recipient of the degree of Bachelor of Accounts from Rider College, Trenton, New Jersey.

Mr. John E. Gill, vice-president of the college, in conferring the degree said, in part, of Mr. Compton's fitness for the degree: "In reflecting on your accomplishments in the field of expert and higher accounting, taking you through Rider College, through a great university and through the exacting state examinations for the degree of Certified Public Accountant, I should judge that you are accredited with enough units to be entitled to two or three additional degrees.

"And all this is saying nothing of your enviable reputation as a useful citizen and able instructor in your Alma Mater, not forgetting your admittedly sound judgment in matters financial and the unselfish technical service you are rendering our state as a member of the New Jersey State Board of Public Accountants."

## The Pace Alumni Association

will hold its

### NEXT REGULAR LUNCHEON

in

### The Machinery Club

of New York  
50 Church Street

on

Saturday, Nov. 21st, at  
1:30 o'clock

The 1925 graduating class will be  
the guests of Pace & Pace  
at this luncheon.

Send your check today to Mr.  
Schaeberle and be certain of your  
reservation.

The charge is \$1.65

## Tearing Up Spoiled Checks

Reprinted from the September, 1925, issue of *Haskins & Sells Bulletin*

THE American Bankers Association, through a protective department which interests itself in the prevention of loss from crime, recently issued a code of rules containing advice as to the proper preparation and use of checks. One of the rules is stated as follows: "Don't erase. Errors should be corrected by writing a new check and destroying those incorrectly written."

There can be no question that the practice of attempting to correct errors made in checks already written is a pernicious one. The correction of an error made in writing a check, either by erasing or by drawing a line through the part erroneously written, offers an excellent opportunity for further alteration by any person who subsequently may come into possession of the check. The only really safe procedure is to write a new check.

In the light of experience, however, the destruction of voided checks is to be condemned as offering increased possibilities in some instances for the perpetration and concealment of irregularities, the detection of which is difficult.

The negotiation of voided checks as a means of improperly withdrawing funds on deposit probably is not as frequent as the use of various other methods. This, no doubt, is because other ways are easier. Nevertheless, it is of sufficiently frequent occurrence to make it a factor worthy of consideration.

In many instances checks are voided because they have been imperfectly prepared, with the result that they are rendered useless for the purpose to which they are intended to be put, although their general negotiability is not impaired. A dishonest employe coming into the possession of such a check sometimes is able to realize thereon. He may then account for the check as having been voided and destroyed, make no entry of the disbursement in the books, and conceal the resulting shortage by any one of various manipulations of the records. He may cover his tracks very effectively by destroying the check after it has been paid and returned by the bank on which drawn.

An employe who occupied a position as bookkeeper and cashier of a small manufacturing concern recently was able to misappropriate several thousand dollars in this manner. His first theft was largely the result of an accident. He had written a check in favor of a creditor of the company, and had procured thereon the signature of an official. As he was about to mail the check, he noticed that he had inadvertently made a mistake in the amount. He brought the situation to the attention of the official who had signed the check, who told him to destroy the erroneous check and prepare a new one, and to make a notation on the stub corresponding to the erroneous

check, and opposite its number in the cash book, that it had been voided and destroyed.

It then occurred to the employe to negotiate the check himself instead of destroying it. Consequently he forged the endorsement of the creditor to whom it was payable, and obtained the proceeds. He did not enter the check in any of the records, but accounted for it as having been voided and destroyed. When he received the next bank statement, he abstracted the check, which had been paid by the bank, and destroyed it.

In order to bring the disbursements according to the cash book into agreement with the payments shown by the bank statement, he overfooted the net cash and the vouchers payable columns on the disbursement side of the cash book. He then overfooted in the same amount the total column and an expense distribution column in the voucher register.

Having succeeded in avoiding discovery in this instance, he began to repeat the operation, intentionally making mistakes in the amounts of certain checks. No suspicion was aroused on the part of the official whose signature was required, inasmuch as the employe allowed a considerable interval of time to elapse between any two irregular transactions, and because he was always careful to apologize for his carelessness in writing checks. The embezzlement eventually was discovered by accountants during an audit, by footing the cash book and the voucher register, and by comparing the details of disbursements according to the bank statement with the payments shown by the cash book.

Aside from providing dishonest employes with a supply of checks which may be negotiated improperly, the practice of permitting the destruction of voided checks offers an additional means of concealing certain kinds of irregularities.

In most cases—unfortunately not in all, however—the supply of blank checks is controlled, by number or otherwise. Consequently, it is necessary under such circumstances to account for each check used. A dishonest employe who misappropriates funds on deposit may then follow only one of two courses in attempting concealment. He may record as disbursements the checks used for the improper withdrawal of funds in bank, or he may omit to enter the checks and destroy them after payment and return by the bank.

The first method automatically accounts for the checks used. All that is then necessary is to support the cash book entries by such data as may be required under the circumstances to make the disbursements appear regular.

In many cases, however, defaulters

desire to obliterate all possible traces of their operations. Because of the methods of system or audit in vogue, it may be considered difficult to support irregular disbursement entries. Because of forged signatures, irregular endorsements, fictitious payees, etc., it may be deemed unwise to retain spurious checks in the files after they have served their purpose. Consequently the second course may be pursued, namely, that of making no record of the irregular disbursements, destroying the fraudulent checks after they have been returned by the bank, and concealing the shortage by manipulating either the bank reconciliation or the cash book.

In the latter contingency the fact that certain checks are missing remains to be explained. A favorite way to accomplish this result is to account for missing checks as having been voided and destroyed. Where it is known to be the practice to destroy checks, this explanation may appear entirely reasonable, and it may be difficult to determine that such is not the case.

The supply of blank checks should be controlled by number, and all numbers accounted for. The practice of having blank checks made up in pads, leaving the number and depository to be filled

## The Pace Public Speaking Club

announces that

### Regular Meetings

will be held

on the

*First and Third  
Wednesdays*

of each month

in the Club Room,

PACE INSTITUTE



in when a check is issued, furnishes dishonest employees with a ready supply of blank checks by which to misappropriate funds to their own use.

A control cannot be effective if the destruction of voided checks is permitted. Where such is the case, there is no tangible evidence to support a statement that a certain check is missing because it was never issued. The door is open for the negotiation of checks presumably destroyed. The opportunity exists for concealing thefts of blank checks to be used for fraudulent purposes.

Consequently there should be a rule in every office requiring voided checks to be retained in the files. When it is necessary to cancel a check prior to issuance, the check should be mutilated by tearing or cutting off the signature. If a check book is used, the voided check should be pasted onto the corresponding stub. If padded checks are used, it should be filed with checks returned by the bank. This procedure prevents unauthorized negotiation of the check, and nullifies the magic of the word "void" in concealing thefts of blank checks. The voided check is available at all times as a visible evidence of what has occurred.

Another method of disposing of voided checks which sometimes is used is that of endorsing and depositing them in the concern's own bank account. While this method has the merit of providing for the retention of voided checks, it is nevertheless a loose way of handling the situation. It inaugurates the policy of allowing checks to be paid incompletely endorsed, and opens up the way to other kinds of embezzlement.

Some safeguards which incur expense do not compare in effectiveness as precautionary measures with this one of preserving voided checks, which costs nothing and may save thousands of dollars.

The American Bankers Association might well change the rule in question, as follows: "Don't erase. Errors should be corrected by writing a new check and preserving those incorrectly written, removing the signature and either pasting the voided check onto the corresponding stub, or filing it in numerical order with checks returned by the bank."

A voided check is as good a voucher in support of its non-use as for the proper withdrawal of funds from bank.—*Reprinted from the September, 1925, issue of the Haskins & Sells Bulletin.*

**MOUNT & WELLS**, accountants and auditors, announce the formation of a partnership for the public practice of accountancy, with offices at 7 De Kalb Avenue, Brooklyn, and 50 Church Street, New York City. Mr. Mount is a former student of Pace Institute, New York.

**B. E. HUNSINGER**, formerly head of the Staff Division of the Income Tax Unit, Bureau of Internal Revenue, announces that he has entered federal tax practice, and will be associated with John T. Kennedy, tax counsel of the firm of Owen & Beller, attorneys at law. Mr. Hunsinger is a former student of the Pace Course.

## Field Trips

**F**IELD trips to many of the factories of the largest and best-known organizations in the metropolitan district have long been a feature of the work of Pace Institute. This year, more than ever before, trips to these model industrial plants are forming an important link in the educational program of the Institute. There are several reasons for this. Many students, even those who were born and raised in this city, one of the greatest manufacturing centers in the world, have small conception of the basic principles that underlie industrial operations. Many, in fact, have never been inside a factory. To illustrate to the students the theories taught in the classroom, the Institute feels that nothing can take the place of seeing actual operations whether they are in a biscuit factory or in an oil refining plant. Even though one may be fortunate enough to be employed in a large industrial concern, his observation is likely to be limited to one particular phase of factory work. In carefully supervised field trips, however, one gains a first-hand knowledge of many different types of factory operations and industrial organizations. Whenever it is possible, students are taken through the factory in small groups so that each member may ask questions and receive the individual attention of the instructor.

The Brooklyn plant of the American Sugar Refining Company was the first place to be visited this year. Mr. Myer, of the faculty of Pace Institute, personally conducted the group in its observation of the various operations of the refinery on Wednesday, September 30. He was ably assisted by the guides furnished by the American Sugar Refining Company.

The group started their trip through the factory at the receiving department where the raw sugar is received in bags from the sugar plantations. At this first step, the process of inspection starts. Every bag must be of the right grade, and must contain only raw sugar—not sand or other extraneous matter. The next step, weighing the sugar, is very important and must be carefully done because the raw sugar contains a great deal of moisture, which is likely to vary the actual weight. The raw product is then carried through the actual processes of refining. This sequence includes boiling and filtering, during which the impurities, which, in the raw material, cause the dark color, are removed. The purified product is then made into the different grades of fineness, from confectioners' finely ground sugar to the ordinary coarse granulated variety. The final steps in preparing the sugar for the consumer are completed in the packing department, where each variety is packed in bags or cartons, and is then crated.

Mr. Myer also conducted a group of students through the Long Island plant of the Loose-Wiles Biscuit Company. There the students observed, at first

hand, the processes of handling the raw material, of manufacturing, and of packing and shipping the Loose-Wiles products.

## Society of C. P. A.'s of New Jersey

**T**HE Society of Certified Public Accountants of New Jersey held an all-day-and-evening conference at the Robert Treat Hotel, Newark, New Jersey, on Thursday, October 6th.

A wide range of subjects, of interest to all accountants, was covered by the speakers, who included John T. Kennedy, LL. B., the Honorable John Warren, Homer S. Pace, C. P. A., the Honorable Charles M. Mason, and the Honorable Franklin W. Fort.

Discussions of regulatory legislation for the public practice of accountancy filled the morning session of the meeting. At the afternoon session, John T. Kennedy, formerly of the Committee on Appeals and Review of the Treasury Department, spoke on taxation. In referring to the work of the tax unit in Washington, Mr. Kennedy showed that the government attitude of mind, which favored dodging responsibility, caused, in part, the difficulty encountered in obtaining decisions favorable to the taxpayer. Education, pointed out Mr. Kennedy, is necessary if the tax-paying public is to become familiar with the administrative policies of the tax unit. Such education would not only simplify the work of the government agents, but, he said, would probably result in a saving for the individual taxpayer. Mr. Kennedy, because of his work in the unit, was ably fitted to bring out the fine points of procedure that now prevail before the Board of Tax Appeals.

The accounting and legal aspects of building and loan associations formed the basis of a talk by the Honorable John Warren, formerly president of the New Jersey League of Building and Loan Associations. Many interesting opinions were voiced in the general discussion that followed Mr. Warren's address.

"Vitalizing the Accountant's Report," by Homer S. Pace, C. P. A., was a short talk on the political aspects of report-making. Mr. Pace made the point that the accountant's report was a formal presentation of facts and opinions rather than a rhetorical essay, and was prepared as a matter of record, which limited to a great extent the literary style that could be employed.

Timely speeches by the Honorable Charles M. Mason and Franklin W. Fort were well received by the members. Mr. Mason spoke on the work of the bankruptcy court; Mr. Fort talked about the accountant's relation to sound banking.

**OSCAR I. KOKE**, C. P. A. (Ore.-Mich.) and **JAMES G. BRIGHT**, formerly Deputy Commissioner of Internal Revenue, Income Tax Unit, announce their association in general accounting and tax practice under the firm name of Koke & Bright.



## The Issuance of the C.P.A. Certificate

*The requirements of the State of New York for the issuance of the C. P. A. certificate, will be of interest to many Pace Student readers. The articles is reprinted from the annual yearbook of the New York State Society of C. P. A.'s.—THE EDITOR.*

**Board of Examiners.** The Regents of the University appoint, from those holding their certificates as certified public accountants, a board of three examiners, one of whom is appointed each year to serve three years, to examine under the Regents' rules, persons applying for a certificate under the laws of 1896, Chapter 312, as amended, to regulate the profession of public accountants.

**Examinations.** Two examinations of five sessions each shall be given annually, at which duly qualified applicants shall be examined in the following subjects during the times indicated: theory of accounts, 3 hours; practical accounting, two sessions of three hours each, 6 hours; auditing, 3 hours; commercial law, 3 hours. The specified four subjects must all be taken at the same semi-annual examination; provided, however, that if a candidate fail in one of the four topics only, he may at a subsequent examination by passing this subject obtain the certificate.

**Places and Times for Examinations.** Applicants will be duly informed of the places for examination, which shall be held in New York, Albany, Syracuse and Buffalo, and be given at times to be fixed by the Education Department.

**Preliminary Education Required.** Except as provided in Section 435, a certificate as a certified public accountant will be issued only to those who, in addition to meeting the specific requirements of the law, have approved profession qualifications and, as part thereof, hold the Regents' academic diploma or furnish satisfactory evidence of having an accepted equivalent preliminary education.

**Professional Requirement.** A candidate must present satisfactory evidence of five years' satisfactory experience in the practice of accountancy, at least three of which must have been completed prior to his admission to the written certified public accountant examination, and at least two of the five years' experience shall have been in the employ of a certified public accountant in active practice, in no less grade than that of a junior accountant or the equivalent thereof. Two and one-half years' experience in the United States Army during the World War may be accepted as equivalent to six months' experience in the office of a certified public accountant.

All applications for admission to an examination must be filed with the Professional Examinations Bureau of the Department at least 20 days prior to the date of the examination in order that the experience claimed may be verified.

**Examinations Waived.** A citizen of the United States, residing in or having a place for the regular transaction of business in this State, who has personally practiced for three years as a certified public accountant in another state under a license or certificate earned by passing the regular written certified public accountant examination in that state, may, upon evidence that such written examination of the other state was of not lower standard than that required of applicants in this State and upon recommendation of the Board of Certified Public Accountant Examiners, receive from the Board of Regents a certificate as a certified public accountant without examination, provided the applicant has the academic education specified in section 426 of the Regents rules. The fee for the indorsement of the certificate shall be \$25, the same as that for the issuance of a certificate in this State.

**Certification by Indorsement.** Under this provision of the statute the certified public accountant certificates of the following state examining board, earned upon examination, may be indorsed if all other requirements of the New York statute have been met. This means that the candidate must present qualifications which actually entitled him to admission to the examination in the State of New York, if his certificate from another state is to be indorsed. Such candidate must pay the fee of \$25. The date following the state is that of the Regents' action approving the agreement: Michigan, March 27, 1919.

Any duly qualified and reputable certified public accountant of any other state who received his certificate as the result of having passed an examination conducted by a legally constituted board of examiners of certified public accountants, maintaining a standard for such examination not lower than the New York standard, may make application to the Board of Regents for indorsement of his certified public accountant certificate

for recording as a license to practice in the State of New York, such application to be addressed to the Board of Regents and forwarded to the Secretary of the New York State Board of Certified Public Accountant Examiners; the application to be made upon a blank furnished by the State Department the same as though the applicant were making application for admission to the certified public accountant licensing examination and to be accompanied by a recent certified photograph of the applicant, the statutory fee, letters testimonial as to the character and experience of the applicant, evidence of his good standing in his state and local society and approval of the application by the state board of examiners of the state in which the applicant resides, provided that the applicant has had at least one year's practice in the state in which he resides after having earned his certificate in that state.

**Fee.** The fee for an examination and certificate shall be \$25 to be paid upon applying for admission to the professional examination. Such application should be made at least 10 days prior thereto at the Education Department at Albany, and be accompanied with evidence of due compliance with the other requirements of the law and of the Regents' rules. Suitable blanks and instructions will be furnished by the Department to intending applicants, upon their timely request.

*All correspondence relating to the details of certified public accountant examinations should be addressed to the Chief, Professional Examinations Bureau, State Department of Education, Albany, N. Y.*

**F**OUR California students of the Pace Courses were successful in passing the C.P.A. examinations of their native state. Of these, three were students in the San Francisco Institute of Accountancy. The fourth was an Extension student who passed the examinations after studying only the first three semesters of the Pace Course. The students were Russell Harper, Charles Parlier, and Ross L. Perkins, of the San Francisco Institute of Accountancy, and H. S. Beatie, of the Extension division, Pace Institute, New York.

## Graduation Exercises

The annual graduation exercises of Pace Institute, New York, will be held this year at the Machinery Club, Hudson Terminal Building, 50 Church Street, New York, on November 14, at 8 P. M. An informal reception and dance, under the auspices of the Pace Alumni Association, will follow the graduation exercises.